

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

SANRIO COMPANY, LTD.,

No. C-09-0440 EMC

Plaintiff,

v.

**ORDER GRANTING PLAINTIFF'S
MOTION FOR DEFAULT JUDGMENT
AGAINST DEFENDANT LEE**

J.I.K. ACCESSORIES, *et al.*,

(Docket No. 103)

Defendants.

Plaintiff's motion for default judgment came on for hearing before the Court on April 13, 2012. Docket No. 103. For the reasons set forth below, the Court **GRANTS** Plaintiff's motion for default judgment.

I. FACTUAL & PROCEDURAL HISTORY

Plaintiff Sanrio Company, Ltd. is the creator and owner of the children's character Hello Kitty, as well as other children's characters such as Kerokerokeroppi, Charmmy Kitty, and Hana-Maru. Compl. ¶ 38. Plaintiff has sold merchandise featuring its characters since 1976. Compl. ¶ 39. Plaintiff owns numerous copyright registrations depicting Hello Kitty and other characters, including Registration Nos. VA 130-420, VA 1-303-874, VA 1-342-775, VA 707-212, VA 636-579, and VA 1-296-111. Compl. ¶¶ 42-44; *see also* Compl. Exhs. 6-8. Plaintiff also owns U.S. Trademark registrations for the Hello Kitty design and name for use in jewelry, hair accessories, and bags. Compl. ¶¶ 45, 46; *see also* Compl. Exhs. 9. Plaintiff also alleges that it has common law trademarks in its characters, as Plaintiffs have used the Hello Kitty design and characters since

January 1976. Compl. ¶ 48. In total, Plaintiff spends close to \$2 million annually in the United States to promote its character products, and retail sales of its Hello Kitty products approximate \$500 million. Compl. ¶¶ 54, 55.

In August 2007, Plaintiff became aware of Defendants displaying and selling unauthorized and/or counterfeit Hello Kitty and Keroppi items through various Amuse, Bliss, and Final Choice retail stores throughout California. Compl. ¶ 57. Such items included cell phone accessories, jewelry, and handbags. Compl. ¶ 57. Further, many of the counterfeit items were found to have dangerous levels of lead. Docket No. 103-12 ¶ 5 (“Kattwinkel Decl.”). The companies appeared to be related, and several used the identical Amuse name and logo for their store signage and merchandise packaging. Compl. ¶ 15.

Defendant Lee, as the owner and President of Heiress Enterprises, Inc.,¹ operated a Bliss retail store in Santa Ana, California. Compl. ¶¶ 10, 24. Plaintiff never assigned or licensed any rights in the Hello Kitty marks or copyrights to Lee or Heiress Enterprises. Compl. ¶ 57. On September 25, 2007, Plaintiff’s investigator observed for sale Hello Kitty jewelry and cell phone charms at the Santa Ana store. Docket No. 103-10 ¶¶ 9, 10 (“Fernandez Decl.”). Plaintiff’s investigator purchased one Hello Kitty cell phone charm, which Plaintiff confirmed was a counterfeit. Fernandez Decl. ¶ 11; Docket No. 103, Exh. E; Kattwinkel Decl. ¶ 4.

Plaintiff’s investigators sent cease and desist letters to many of the retailers. When infringement continued, Plaintiff brought this suit in January 2009, alleging claims for: (1) federal copyright infringement under 17 U.S.C. § 101 *et seq.*, (2) trademark infringement under 15 U.S.C. § 1114 *et seq.*, (3) federal unfair competition and common law trademark infringement under 15 U.S.C. § 1125(a), and (4) unfair competition under California Business & Professions Code § 17200.

Defendant Lee and Heiress Enterprises were served on February 23, 2009, with the process server personally delivering copies to Defendant Lee. Docket No. 13 at 7, 13. On May 14, 2009, Plaintiff submitted proofs of service as to Defendant Lee and Heiress Enterprises. Docket No. 13.

¹ Heiress Enterprises has since been dissolved. *See* Docket No. 103, Exh. C.

On May 28, 2009, Plaintiff sought entry of default as to certain Defendants, including Defendant Lee. Docket No. 14. Default was entered as to Defendant Lee. Docket No. 16.

Plaintiff now seeks default judgment as to Defendant Lee. Motion at 1. Plaintiff seeks broad injunctive relief to prevent or restrain further infringement, as well as statutory damages of \$40,000 against Defendant Lee. Motion at 11, 14. Plaintiff does not seek attorneys' fees or costs. Motion at 10. Defendant Lee has not opposed this motion.

II. DISCUSSION

A. Standard of Review

As a preliminary matter, the Court must first "assess the adequacy of the service of process on the party against whom default is requested." *Bd. of Trustees of the N. Cal. Sheet Metal Workers v. Peters*, No. C-00-0395 VRW, 2000 U.S. Dist. LEXIS 19065, at *2 (N.D. Cal. Dec. 29, 2000). Service may be effected upon a corporation in the United States "by delivering a copy of the summons and of the complaint to an officer, a managing or general agent, or any other agent authorized by appointment or by law to receive service of process." Fed. R. Civ. P. 4(h)(1)(B). On February 23, 2009, Plaintiff personally served on Defendant Lee the summons and complaint. Docket No. 13 at 7, 13. The Court finds that service was proper in this case.

B. Eitel Analysis

If the Court determines that service was sufficient, the Court should consider the following factors in determining if entry of default judgment is warranted:

(1) the possibility of prejudice to the plaintiff, (2) the merits of plaintiff's substantive claim, (3) the sufficiency of the complaint, (4) the sum of money at stake in the action, (5) the possibility of a dispute concerning material facts, (6) whether the default was due to excusable neglect, and (7) the strong policy underlying the Federal Rules of Civil Procedure favoring decisions on the merits.

Eitel v. McCool, 782 F.2d 1470, 1471-72 (9th Cir. 1986). Upon entry of default, a court must take as true all factual allegations in the complaint except those related to the amount of damages. *Fair Hous. of Marin v. Combs*, 285 F.3d 899, 906 (9th Cir. 2002).

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1. Prejudice to Plaintiff

The Court finds that Plaintiff will be prejudiced absent a default judgment, as they will likely be left without a remedy. *See Walters v. Shaw/Guehnemann Corp.*, No. C 03-04058 WHA, 2004 U.S. Dist. LEXIS 11992, at *7 (N.D. Cal. Apr. 15, 2004) (“To deny plaintiffs’ motion [for default judgment] would leave them without a remedy.”). Plaintiff argues that if Defendant Lee is permitted to continue selling counterfeit goods that infringe on Plaintiff’s trademarks and copyrights, and which may contain potentially dangerous amounts of lead, Plaintiff will suffer irreparable harm to its goodwill and reputation for producing high-quality goods. Motion at 5; Compl. ¶¶ 63, 80, 91; Kattwinkel Decl. ¶ 5. Without entry of default judgment, Plaintiff contends that it will have no other remedy for this harm, and will therefore be prejudiced. Motion at 5 (citing *PepsiCo, Inc. v. Cal. Sec. Cans*, 238 F. Supp. 2d 1172, 1177 (C.D. Cal. 2002) (“If Plaintiffs’ motion for default judgment is not granted, Plaintiffs will likely be without other recourse for recovery.”)). Thus, this factor weighs in favor of default judgment.

2. Substantive Infringement Claimsa. Copyright Infringement

Plaintiff has established a copyright infringement claim. To establish copyright infringement, “two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.” *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). Here, Plaintiff has produced its copyrights in artwork depicting the Hello Kitty character artwork and the counterfeits that are being sold by Defendant Lee. *See* Compl. Exhs. 6-8; Docket No. 103, Exhs. A, E, H. The products sold by Defendant Lee are substantially similar or identical to Plaintiff’s Hello Kitty copyrights, establishing copyright infringement.

b. Trademark Infringement

Plaintiff has also established a trademark infringement claim. To establish trademark infringement and unfair competition claims, Plaintiff must show that: “(1) it has a valid, protectable trademark, and (2) that [the defendant]’s use of the mark is likely to cause confusion.” *Applied Info. Scis. Corp. v. eBay, Inc.*, 511 F.3d 966, 969 (9th Cir. 2007). A mark registered on the principal register is prima facie evidence of the validity of the registered mark and the registrant’s ownership

1 of the mark. 15 U.S.C. § 1125(a) (2006). Here, Plaintiff has produced its trademark on the principal
 2 register for the Hello Kitty character design and artwork. Compl., Exh. 9. This trademark confers a
 3 conclusive presumption of distinctiveness and validity. *See Applied Info. Scis. Corp.*, 511 F.3d at
 4 970.

5 Plaintiff also demonstrates that there is a likelihood of confusion. Likelihood of confusion is
 6 determined by the eight *Sleekcraft* factors:

7 (1) the strength of the mark; (2) proximity or relatedness of the goods;
 8 (3) the similarity of the marks; (4) evidence of actual confusion; (5)
 9 the marketing channels used; (6) the degree of care customers are
 10 likely to exercise in purchasing the goods; (7) the defendant's intent in
 11 selecting the mark; and (8) the likelihood of expansion into other
 12 markets.

13 *Perfumbay.com Inc. v. eBay, Inc.*, 506 F.3d 1165, 1173 (9th Cir. 2007). "The test is a fluid one and
 14 the plaintiff need not satisfy every factor, provided that strong showings are made with respect to
 15 some of them." *Survivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625, 631 (9th Cir. 2005).

16 Plaintiff has demonstrated confusion under the *Sleekcraft* factors. First, the Hello Kitty mark
 17 is protected on the principal register, creating a presumption that the mark is strong. Further, the
 18 Hello Kitty mark is particularly famous and recognizable, and Plaintiff has expended substantial
 19 time and money since 1976 to develop and promote the Hello Kitty marks. Compl. ¶¶ 39, 54, 55,
 20 77, 78; *see also* Compl. Exh. 10 (news articles describing the popularity of Hello Kitty). Second,
 21 the counterfeit items are very similar or identical to genuine Hello Kitty products. *See* Docket No.
 22 103, Exh. A (examples of the counterfeit items). Third, marks on the counterfeit items are identical
 23 or substantially indistinguishable from Plaintiff's marks. Fourth, the counterfeit items are being sold
 24 through retail stores, which is the same marketing channel as those used by Plaintiff's genuine Hello
 25 Kitty products. Compl. ¶¶ 56, 57. Fifth, the products are relatively inexpensive, and thus consumers
 26 will likely not use particular care in distinguishing between them, especially when they look
 27 virtually identical to the genuine products. Sixth, it can be inferred from the character's popularity
 28 that Defendant Lee was aware of the Hello Kitty mark and chose to infringe on the mark in order to
 take advantage of its high visibility. As Plaintiff has made strong showings in the majority of
Sleekwood factors, Plaintiff's failure to produce evidence of actual consumer confusion is not fatal.

1 The counterfeits are extremely similar to Plaintiff's products and would easily be mistaken as
2 genuine items; thus, Plaintiff has established a trademark infringement claim.

3 3. Sufficiency of the Complaint

4 The Court finds that Plaintiff's complaint is sufficient and supports default judgment.
5 Plaintiff's complaint identifies the Hello Kitty copyrights and trademarks at issue, and provides
6 visual exhibits of Plaintiff's products with the counterfeit items to demonstrate confusion and
7 violation of Plaintiff's copyrights and trademarks.

8 4. Amount of Money

9 Plaintiff seeks \$40,000 from Defendant Lee. Motion at 9. As discussed below, this amount
10 is relatively low compared to the amount of statutory damages authorized under the relevant statutes.
11 The amount is also comparable with other consent judgments entered into by Plaintiff in this action,
12 who have settled between \$10,000 and \$250,000, with the amount varying by the level of
13 cooperation by the Defendant and the timeliness of the settlement. Kattwinkel Decl. ¶ 7. Plaintiff
14 limits its claim to statutory damages, and does not seek attorney's fees or costs against Defendant
15 Lee. Opp. at 10. The Court finds that this factor is likely neutral or weighs in favor of default
16 judgment.

17 5. Possibility of a Dispute

18 The Court finds that there is little possibility of a dispute, which supports default judgment.
19 Plaintiff has produced the relevant copyrights and trademarks, and the counterfeit items clearly
20 infringe upon the marks. Plaintiff has also produced evidence that Defendant Lee distributed the
21 counterfeit goods at issue. See Docket No. 103, Exhs. E, H. Finally, Plaintiff has entered into
22 consent judgments and settlements with the other Defendants in this case, which may also suggest
23 that there is no dispute of the facts. See Docket Nos. 39, 41, 46, 54, 77, 90. Thus, this factor weighs
24 in favor of default judgment.

25 6. Excusable Neglect

26 There is no indication that Defendant Lee had a valid reason not to respond to the complaint.
27 Defendant Lee was personally served with the summons and complaint as well as this motion for
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1 default judgment, and there is no reason to believe Defendant Lee is unaware of the action. Thus,
2 this factor weighs in favor of default judgment.

3 7. Policy Favoring Decisions on the Merits

4 Although there is a policy favoring a decision on the merits of the case, it is likely that there
5 will be no opportunity for a decision on the merits in the instant case. Defendant Lee has failed to
6 appear in this case, and without her presence it is impossible to have a trial on the merits. As there
7 is likely little opportunity for a decision on the merits, this factor weighs in favor of default
8 judgment.

9 C. Relief Sought

10 1. Permanent Injunction

11 Plaintiff seeks a broad injunction preventing Defendant Lee from further infringing upon
12 Plaintiff's copyrights and trademarks. Under 17 U.S.C. § 502(a), the Court has the authority to grant
13 temporary and final injunctions to prevent or restrain infringement of a copyright. Likewise, under
14 15 U.S.C. § 1116(a), the Court has the authority to grant injunctions to prevent trademark
15 infringement.

16 In determining whether permanent injunctive relief is appropriate, the Court must look to
17 "well-established principles of equity." *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391
18 (2006). Thus, Plaintiff must demonstrate:

19 (1) that it has suffered an irreparable injury; (2) that remedies available
20 at law, such as monetary damages, are inadequate to compensate for
21 that injury; (3) that, considering the balance of hardships between the
22 plaintiff and defendant, a remedy in equity is warranted; and (4) that
23 the public interest would not be disserved by a permanent injunction.

24 *Id.*

25 Here, Plaintiff has satisfied the four-factor test. First, the continued sale of counterfeits will
26 likely result not only in monetary harm from reduced sales, but harm to Plaintiff's goodwill and
27 reputation. This is especially true given that many of the counterfeit items have high levels of lead,
28 which could result in consumers who believed they purchased genuine products having a poorer
opinion of Plaintiff's products. See Kattwinkel Decl. ¶ 5; Docket No. 103, Exh. B.

1 Second, monetary damages are inadequate to compensate for the injury because Defendant
2 Lee could then continue to infringe upon Plaintiff's copyrights and trademarks. Defendant Lee
3 could also continue to sell the inferior products, resulting in further reduction of Plaintiff's goodwill
4 and reputation which cannot be easily compensated with monetary damages.

5 Third, the balance of hardships weighs in favor of Plaintiff. Without an injunction, Plaintiff
6 will suffer because Defendant Lee could continue to sell the Hello Kitty counterfeit items, which
7 could result in both reduced sales and harm to goodwill and reputation. Defendant Lee would not be
8 burdened by the injunction, as she does not have the right to infringe upon Plaintiff's marks and is
9 not licensed to sell Hello Kitty products.

10 Fourth, the public interest will be served by supporting copyright and trademark rights.
11 Plaintiff also argues that this will reduce consumer confusion and prevent consumers from
12 purchasing items that have high levels of lead under the mistaken belief that they are purchasing
13 Plaintiff's genuine Hello Kitty products.

14 Based on the above factors, Plaintiff is entitled to an injunction in this case. Plaintiff
15 requests that the injunction extend not only to Hello Kitty copyrights and marks, but to all marks and
16 copyrights presently owned by Plaintiff as well as copyrights or marks that Plaintiff may hold in the
17 future. The Ninth Circuit has found that broad injunctions are appropriate where the goods at issue
18 are similar, and the injunction addresses such similarities. *Perfumbay.com Inc.*, 506 F.3d at 1177.
19 Other courts have found that broad injunctions extending to all marks and copyrights owned by a
20 plaintiff are appropriate. *E.g., Lifted Research Grp., Inc. v. Salem*, No. C-08-4497 SC, 2009 U.S.
21 Dist. LEXIS 44850, at *2, 20 (N.D. Cal. May 15, 2009) (finding that broad injunction extending to
22 all marks and copyrights was appropriate, even though the defendant had only sold clothing
23 infringing upon a limited number of marks). Courts have also issued injunctions extending not only
24 to all marks and copyrights owed by the plaintiff, but marks that the plaintiff might acquire in the
25 future in order to prevent future litigation. *Id.*; *see also Sony Music Entm't Inc. v. Elias*, Case No.
26 CV 03-6387DT (RCx), 2004 U.S. Dist. LEXIS 30385, at *13-14 (C.D. Cal. Jan. 20, 2004) (finding
27 that injunction extending to new copyrighted works which are vulnerable to infringement was
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appropriate, as an injunction limited to existing works would require repetitive litigation to redress future infringements).

The Court finds that a broad injunction is warranted in this case. Plaintiff has many characters that are very recognizable and could easily be counterfeited, and Plaintiff is likely to continue developing new marks and copyrights. To avoid future litigation for infringement of these marks, the Court will issue a broad injunction that extends to all marks and copyrights owned by Plaintiff, as well as marks that Plaintiff might acquire in the future.

2. Statutory Damages

Finally, Plaintiff seeks damages for violations of the Copyright Act and the Lanham Act. Under both statutes, an infringer is liable either for the plaintiff's actual damages or statutory damages. 17 U.S.C. § 504(a) (2006); 15 U.S.C. § 1117(c) (2006). The Copyright Act and the Lanham Act are considered "two separate statutory schemes to govern copyright and trademarks; in order to effectuate the purposes of both statutes, damages may be awarded under both." *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1011 (9th Cir. 1994).

Plaintiff seeks statutory damages because of the difficulty in determining actual damages without Defendant's participation in the suit. Motion at 12. Under the Copyright Act, the Court may award statutory damages of not less than \$750 or not more than \$30,000 for all infringements of a copyrighted work. 17 U.S.C. § 504(c)(1). However, where the infringement was committed willfully, the Court may increase the award of statutory damages to not more than \$150,000. *Id.* § 504(c)(2). Under the Lanham Act, the Court may award statutory damages of not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed. 15 U.S.C. § 1117(c)(1). However, if the Court finds that the use of the counterfeit mark was willful, the Court may award not more than \$2 million per counterfeit mark per type of goods or services sold. *Id.* § 1117(c)(2).

In determining the amount of statutory damages, "the court has wide discretion in determining the amount of statutory damages to be awarded, constrained only by the specified maxima and minima." *Columbia Pictures Indus. v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d

1 1186, 1194 (9th Cir. 2001). Many courts have considered the following factors in determining the
2 appropriate statutory damages award:

3 (1) the expenses saved and the profits reaped; (2) the revenues lost by
4 the plaintiffs; (3) the value of the copyright; (4) the deterrent effect on
5 others besides the defendant; (5) whether the defendant's conduct was
6 innocent or willful; (6) whether a defendant has cooperated in
providing particular records from which to assess the value of the
infringing material produced; and (7) the potential for discouraging the
defendant.

7 *Feiya Cosmetics, LLC v. Beyond Beauty Int'l, LLC*, Case No. C-10-00967 JCS, 2011 U.S. Dist.
8 LEXIS 111769, at *37 (N.D. Cal. Aug. 29, 2011); *IO Grp. Inc. v. GLBT Ltd.*, No. C-10-01282 MMC
9 (DMR), 2011 U.S. Dist. LEXIS 87250, at *8 (N.D. Cal. Aug. 8, 2011).

10 Here, Plaintiff does not have information as to expenses saved and profits reaped by
11 Defendant Lee or revenues lost by Plaintiff. However, the other factors support higher statutory
12 damages. The mark at issue is very valuable, as Hello Kitty is Plaintiff's most valuable asset.
13 Compl. ¶ 54. A larger award would likely deter Defendant Lee and other infringers from selling
14 similarly infringing products, which is especially relevant given that there were numerous
15 Defendants involved in this case and the potential for infringement of Plaintiff's marks is high. It is
16 also likely that the infringement was willful, as Plaintiff's marks are highly recognizable and
17 Defendant Lee likely attempted to exploit the popularity of the mark. Finally, Defendant Lee has
18 not cooperated in this action, and may be better discouraged by larger damages.

19 In the instant case, Plaintiff seeks \$40,000. While this amount sought is substantially higher
20 than the statutory minimums, the amount is appropriate given the above factors. The amount sought
21 is also in line with the damages awarded as to other Defendants in this case, with whom Plaintiff
22 settled.² Plaintiff also contends that the damages are in line with damages awarded on default

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24 ² Other judgments in this case include: (1) \$10,000 against Defendant Debbie Kim and
25 Pinkland Corporation, successive owners of a single retail location; (2) \$20,000 against Defendant
26 Nana Accessory and Ho Yong Na, owners of two retail store locations who cooperated early in the
27 suit; (3) \$80,000 against Defendant Sukmin Bae and Lisa Bae, owners of two retail locations who
28 refused to cooperate or settle but ultimately entered into mediation; (4) \$250,000 against Defendant
Accessitive Accessories Inc., Amuseco Accessories, B.B. Apparels, J.I.K. Accessories, Brian Bae,
and Andy Bae, owners of one wholesale business and several retail stores who refused to cooperate
or settle but ultimately entered into mediation; (5) \$60,000 against John Bae and Aeron Bae, owners
of four retail stores who stopped selling the counterfeits but refused to cooperate or settle until later
in the suit; and (6) \$32,500 against Defendants Seanna Corporation and Sang Wha Kim, owners of

judgments in similar suits. *See* Motion at 14-15 (describing other cases and statutory awards). The Court finds that Plaintiff's request is in line with other settlements in this case and other cases, and reflects the high visibility of the mark and the likelihood that infringement was willful in this case. In addition, Plaintiff is not seeking attorney's fees or costs, which it could otherwise seek as the prevailing party in a copyright case. 17 U.S.C. § 505 (2006); *see also* 15 U.S.C. § 1117(a) (permitting the award of reasonable attorney's fees under the Lanham Act in exceptional cases only).

Accordingly, the Court will award \$40,000 to Plaintiff. The Court will also grant Plaintiff's request for post-judgment interest on the damages awarded. 28 U.S.C. § 1961 permits interest to be granted on any money judgment in a civil case recovered in district court. *E.g., Autodesk, Inc. v. Flores*, No. 10-CV-01917-LHK, 2011 U.S. Dist. LEXIS 11687, at *29-30 (N.D. Cal. Jan. 31, 2011) (awarding post-judgment interest on statutory damages, attorney's fees, and costs awarded). Interest is "calculated from the date of the entry of the judgment, at a rate equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of the judgment." 28 U.S.C. § 1961.

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one retail store who settled after this motion for default judgment was filed. Kattwinkel Decl. ¶ 7; Docket Nos. 109, 110.


III. CONCLUSION

For the reasons stated above, the Court **GRANTS** Plaintiff's motion for default judgment. An injunction is entered against Defendant Lee, requiring that Defendant Lee not infringe on any marks and copyrights owned by Plaintiff, as well as any marks that Plaintiff might acquire in the future. Plaintiff is also awarded \$40,000 in statutory damages, as well as any post-judgment interest as necessary.

This order disposes of Docket No. 103.

IT IS SO ORDERED.

Dated: April 19, 2012


EDWARD M. CHEN
United States District Judge